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DEPUTY CIA DIRECTOR FRANK CARLUCCI:

ADDRESS TO KEYSTONE CAPITAL CHAPTER OF AFIO

Harrisburg, Pennsylvania

Saturday, March 10, 1979

CHAIR: ...and distinguished award, not only from the Defense Department, but also the Health, Education and Welfare and the State Department.

I imagine that most of you saw the article in U. S. News & World Report not too long ago, about five weeks ago, to be exact, which, in essence, stated that when Mr. Carlucci spoke, the President listened. So with the world explosive situation that we have today and with the threat, a potential threat to the security of the United States, I don't believe there is anyone who's better qualified to tell us about the world political situation, the intelligence community and what is happening in Washington, D. C.

Ladies and gentlemen, I present the Honorable Frank C. Carlucci, Deputy Director of Central Intelligence.

[Applause]

DEPUTY DIRECTOR FRANK CARLUCCI: Thank you, Colonel Welch, members of the Keystone Capital Chapter of AFIO, officers, guests, ladies and gentlemen. It's a great pleasure for me to be back in Pennsylvania. I always leap at invitations to come back to Pennsylvania. I think the last time I was in Harrisburg, people were digging themselves out from under a lot of mud left by Hurricane Agnes. And for those of you who went through that experience, I congratulate you all on the excellent recovery job.

As Randy indicated, when we look at our papers these days, the world seems to be in a mess, whether it's upheaval in

Iran, assassination of an Ambassador in Afghanistan, trouble in Nicaragua, China invading Vietnam Idi Amin wobbling in Uganda, government instability in Italy -- one can go through the whole litany -- it seems that never in recent history have we been faced with so many problems. And our press is filled with prophecies of doom and gloom. We don't know what this upheaval means, who's on this side, who's on that side. It's very difficult to tell the good guys from the bad guys. And there are strange obscure wars, like the one going on between the People's Democratic Republic of Yemen and the Yemen Arab Republic that make people scratch their heads, but which have enormous potential importance for the United States.

The popular mood seems to be, well, whatever all this means, it isn't good, and that somehow we must be losing. Well, I don't know about that. I'm not prepared tonight to give you a net assessment. But before we toss in the towel, it might be useful to spend a few minutes looking at the world situation as seen through the eyes of the Soviets. How does our friend Ivan Ivanovich see the situation as he looks at it?

First of all, he sees a leadership problem in his own country. An aged leadership. Brezhnev is -- what? -- 71, in ill-health. The most touted successor, Trilenko, is even older than that. Any new wave of leadership has been discouraged. So any way you look at it, the Soviet Union is going to have a succession problem.

We hear a lot about our oil problem, but the Soviets are facing an oil problem in the 1980s as well. Their oil production is topping out in the face of increasing demand, and they don't have quite the same options we have. They don't have that consumer cushion that could be cut back through conservation measures. Their choices are harder ones. They have to decide whether to cut back on exports, thereby sacrificing the foreign exchange they need for their technology, or cut back on shipments to Eastern Europe, risking increasing difficulty there.

Their agricultural policy has been the next thing to a disaster. The minority groups in the Asian part of the Soviet Union are growing faster than the European population. The population as a whole is not growing fast enough to keep up with the needs of the labor force. And there are, I think, consumer expectations in face of a decreasing or stable growth rate.

Even if you look overseas where people think they've had a lot of victories, if you take a careful assessment, it doesn't look all that well to the Soviet leadership. They certainly have a mess on the hands with regard to China. They're having a silly fight over a couple of islands with Japan, which is emerging as a very strong power, as you're all aware. The ASEAN countries are very wary of the Soviet

Union. In Latin America, after pumping in about four billion dollars a year to Fidel Castro, they still essentially only Cuba to show for it. Sure, there're some targets of opportunity, some trouble they could stir up, but not a lot more. They've got a great target of opportunity in Africa which they can exploit, and they're very good at stirring up problems. But history has shown that when they try and consolidate their position in Africa, they frequently get into trouble. Look what happened to them in Ghana, Zaire. Look what's happening to them in Guinea. Look what happened in the Sudan, Egypt, Somalia. They've had their problems.

Even in South Asia, where they probably had their greatest inroads, it's not all going their way. They've done well in Afghanistan and the People's Democratic Republic of Yemen. But Libya is somewhat of an embarrassing ally. And even states that are billed as Soviet client states, like Iraq and Syria, are almost as anti-Soviet as they are anti-American. India seems to be changing its policy a little bit too, so they've got some problems there.

In Europe, the biggest asset is the strength of the military force on the central front. But it's no coincidence that the strongest communist parties in Western Europe are those that are the most anti-Soviet. And in Eastern Europe it's really hard to say that they've got a strong ally, other than Bulgaria. There's ferment in Poland. Romania is openly defiant. East Germany could start to secede. And they've got their problems there. They'll have to maintain substantial military forces in Eastern Europe to keep their control.

But all of this, all these that they may face, are really no source of joy to us, because anybody who understands the Soviet Union, as many of you in this room do, know that they are not deterred by problems, that they are very doctrinaire in their approach. They expect setbacks; they'll take them in stride. They can tighten their belts; they're a closed society. They can always expand their military might at the expense of human misery. And one thing is particularly important to understand, and that is they view political influence as an extension of their military power. That is to say, if they want to extend their political influence, they need a military base to do it, and they don't hesitate to use that military base. Which, at least in part, explains the enormous resources that they have been devoting to building up their military machine, about twice as much of their gross national product as we put into our defense effort.

Their military forces have been growing at a rate of about three to four percent a year the past ten years, in real terms, while ours has been declining in real terms. Their expenditure on their military forces, measured in dollar terms, what the equivalent number of dollars would buy, is probably

somewhere in the neighborhood of 35 to 40% larger than ours. And I see no reason to expect that this will cease, even if they do have to tighten their belts. Nor do I see any reason to expect that their expansionist policies would cease. Indeed, you can make an argument that the current Soviet leadership is basically a conservative leadership and that younger leadership that will come along sooner or later, possibly after some interim leadership, may well be more adventuresome, more difficult to deal with.

So what does this mean for the intelligence community? It means that we are facing increasing demands on us, because, as you're all aware, the policy-maker's decision is only as good as the quality of the information on which it's based. In a world where there is strategic parity, that information could provide the critical leverage. But the information we have to gather and that we have to analyze is becoming very diverse and increasingly difficult to gather. Sure, we have to continue to pay attention to the strategic balance. The lesson of Pearl Harbor was learned only too well. And we have to follow individual countries. But it does no good in today's world to look at a country in isolation. You have to analyze regions. The experience in Ethiopia and the Horn of Africa, the experience in Iran, the experience in Indochina all teach us that. Nor does it do any good just to analyze the political situation. You have to crank in the economic and the social factors. Indeed, it's probably fair to say that we didn't pay enough attention in Iran to the social factors.

And there are other areas where the intelligence business is becoming much more complex. The whole issue of non-proliferation, the SALT verification: a highly technical, complex business. Terorism, which unfortunately is on the increase throughout the world. The best way to stop terrorism is to know when and where it's going to strike. Narcotics. We spend a lot of our effort dealing with narcotics. Or economic analysis, and in particular analysis of the world's resources, the whole issue of petroleum reserves, a very critical element for our national security.

And then there is the question of covert action. The President has decided, and the Congress has endorsed, the concept that the United States should maintain a covert action capability. Covert action, by my definition, means an effort to exert some political influence in a clandestine fashion. It's become a highly emotional issue in the United States, blown way out of proportion to its actual use. It's used very sparingly. And I'm puzzled by the people who raise the criticism. Are they criticizing our capability to have covert action because they think it's wrong or because they think it's failed? If they think it's wrong, why? Is it wrong simply because it's clandestine? Is it wrong to give clandestine aid for a pro-Western democratic government, because to give it openly might be a political liability to that government? If that's wrong, why don't say that

clandestine collection is wrong too? Because the same critics will say, oh, they don't have any criticism of clandestine collection. The logical inference is that we shoudn't have clandestine relationships with our KGB agents. Or if you're opposed to it because it's failed, in many cases it's failed precisely because of their opposition. And even so, the opposition was to the policy and not to the instrument. And to try and take away the instrument because you disagree with the policy is like trying to put the U. S. Army out of business because you might have disagreed with the landing in the Dominican Republic.

But in fact, we have so circumscribed the covert action capability the Congress and the administration both say that we ought to have that it has become a virtual optical illusion. The first requirement for any covert action capability is a presidential finding and then the briefing of seven committees of Congress, up to 140 members of Congress. That's almost a contradiction in terms.

And the way we define it can get us into the theater of the absurd. During the Moro kidnaping, we got a cable from the Italian government asking if we could send a psychiatrist to Rome to help out. I said sure. The lawyers came in and said, no, you can't do that; that's not intelligence collection, and, in the terms of the law, the Hughes-Ryan Amendment, that's covert action. And to do that, you'll have to have a presidential finding -- the President was in Brazil at the time -- and brief your seven committees of Congress just to put a psychiatrist on an airplane. So I called the State Department and asked them if they had a psyciatrist, and they said yes. I said "Would you please put him on an airplane and send him to Rome." We got over that one.

But there are additional absurd situations. Let me just give you a hypothetical one where we've got an agent in country "X," and he's a general. There's been a democratic election, and a group of generals don't like the results of that election and they say "Let's turn it over." Our agent comes to us and says "What do I do? Do I go with the coup-plotters, or do I stand tall for democracy?" We say wait a minute. Before we can answer that question, we've got to go back, have an NSC meeting, get a presidential finding and brief seven committees of Congress. I submit that that is an absurd situation.

Now I'd be the last person to make an argument for no controls. That's not may purpose to stand up here and defend the abuses of the past. I think we can all recognize that there were abuses, although, as congressional committees have pointed out, the vast majority of those abuses were abuses ordered at the policy level and not those that were initiated at the level of the intelligence organizations. But be that as it may, there

is a need for some control. The question is to strike a balance between controls and effectiveness. The administration has moved to do that through an executive order which lays down guidelines for the intelligence organizations. The President has established an Intelligence Oversight Board consisting of three distinguished Americans -- Washington lawyer Tom Farmer, former Senator Albert Gore and former Pennsylvania Governor Bill Scranton -- which is empowered to examine charges of wrongdoing from anyone anywhere, anyone in this room, anyone in the agencies, intelligence agencies, CIA, DIA, FBI, and to report only to the President.

In addition, we've taken certain internal steps, strengthening our inspection procedures, our grievance procedures. We've also worked closely with the Congress as the Congress has moved to implement very rigorous oversight. And we welcome this oversight on the part of our two select committees. We find that those committees are taking their responsibilities seriously. They're also taking their security responsibilities seriously. And we think we can work with two committees in the intelligence business and do it successfully.

We also think it would be helpful to have charter legislation for the intelligence community, legislation that authorizes our activities and lays down certain guidelines for conducting those activities. And we are working on such legislation.

Let me say a word about intelligence failures, firings and morale. And I don't think we need dwell on this. As a group of professionals, you all understand that the intelligence business is not a precise science; that upheavals are very difficult to predict; that we aren't principally in the coup-predicting business or the revolution-predicting business. We're in the business of looking at trends, trying to give the policy-makers the best background for decisions. But we should be paying attention to that kind of thing.

It is true that the intelligence organizations, CIA in particular, did not predict the dimensions of the upheaval in Iran. But it is not true that it did not predict the growing problems that the Shah was facing and the increasing division in Iranian society. But once again, you'll all recognize that for every failure which receives a lot of publicity, we have many successes, and, by definition, those successes do not receive publicity.

In terms of the people who have been laid off in the CIA, a lot has been made of that in the press. The numbers have been grossly exaggerated. They aren't 800; they're about 250. And you all recognize that there have been reductions in force in previous years in the intelligence community. Indeed, there's been a continuing scaling down of the days of Vietnam. That's one

of the things we have to live with. It's by and large passive. But sure, it's had its effect on morale. But what really has affected morale is not the firings or even some of the press attacks, but it has been the principal impediment that our people encounter in trying to do their job, because the intelligence community consists of some of the most dedicated professionals that this country has to offer. And they're willing to take some heat. But they want the tools they need to get on with their business. And in the intelligence business the principal tool is the ability to protect your sources and methods. That's as important to the intelligence operative as equipment is to the military, or credit instruments to a businessman. Without it, there just is no rationale for an intelligence organization, because nobody is going to confide in you if he thinks the information he's confided, or, in particular, his name is going to come out in some newspaper or in some congressional hearing. And the simple fact is that our ability to protect our sources and methods has eroded. It's eroded to the point where agents are raising questions; some have dropped off; some we've had to cut off because they've been exposed, and we don't know what's happened to them. Liasion services are raising questions. I think it's become a matter of broad concern that's impinging on our overall effectiveness.

Now this problem has a number of facets. First of all, the information the intelligence agency collects is far too accessible across the government, both in the executive branch and in the Congress. Now everybody always claims a legitimate need to know. But it's axiomatic that the more people who do know, the more likely the information is to leak. And with eight committees involved on the Hill, with all kinds of agencies involved in the executive branch, leaks are inevitable. And our case officer dealing with his agent finds himself increasingly put upon to make that commitment of security that he needs to make to gain the trust of his agent.

There's a problem also within the executive branch. We just had a very serious espionage case in CIA, as you're aware. It was tried in Chicago. And we've got to tighten up our own security.

Now we've got a problem with former employees who like to take pen in hand. And if we are unable to enforce our contract, which says that they should submit their material for review, not censorship but review so that we can suggest that they take things out when they impinge on national security, then we are in serious trouble. And as you're aware, that contract is now being tested in the courts in the Snepp case. And the issue is very poorly understood in this country. It's not whether Mr. Snepp published classified information. We've never said whether he did or he didn't. The issue is who should determine what is classified information. Should it be each employee or each ex-employee? Or should it be the agency? If every employee can determine what is

classified or unclassified, that's government by chaos, and our intelligence agencies won't be able to continue.

Or we have the case of the former CIA employee, Philip Agee, who, with impunity, has been going around the world, for years now, pointing out, sometimes correctly, sometimes erroneously, the names of CIA people. When put quite clearly, an intent to pinpoint them for terrorist groups. He's now taken to publishing a monthly bulletin in DuPont Circle in Washington, dedicated exclusively to exposing the names of CIA people overseas.

Now we have laws in the U. S. government that make it automatically a crime to reveal information from the Commodity Credit Corporation, the Department of Commerce, the Controller of the Currency, and some 27 or 28 other agencies. But it is not a crime to reveal national security information unless you can prove the intent to commit to sabotage under our atequated sabotage laws. So we really have no weapon to deal with this kind of thing. Indeed, we have laws that almost seem to help our employees, such as the Freedom of Information Act, the Privacy Act. We have three people, by statute, in the CIA today simply providing information to Mr. Agee under the Freedom of Information and Privacy Acts. Under the Freedom of Information Act, we spend over three million dollars a year answering some 88 requests a week. Each costs about $540.00 to the taxpayer. We have a national security exemption, which means that what they get in many cases is shredded paper. Some of these requests come from 13-year old children. We got one from the Polish Embassy the other day. Indeed, if the head of the KGB were to write us, we would be required under this act to respond within ten days or be in violation of the law.

But it's really not the workload that troubles us. It's the chilling effect that this has on our information collection capability overseas. You can argue until you're blue in the face to a potential agent, with a potential agent in a denied area whose life is at stake, that we have a national security exemption from the Freedom of Information Act and his name won't come up. But he looks at the U. S. newspapers and sees all kind of information coming out under Freedom of Information. And it's very difficult to convince him. Even the sophisticated ones who understand the security exemption will say "Yeah, but it's really the judge, not you, who makes the final determination. And while I'm willing to put my confidence in the intelligence agency, I'm not willing to put it in a judge that I don't know."

So I submit that we have to make a greater effort....

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...interpretation. Ours is based on a specific statutory responsibility to protect sources and methods. And if they lose sources and methods, they lose information. If we lose sources and methods, we lose information too. But in some cases, lives are lost.

How are we doing overall? Inspite of the problems we face, I think we're still by far the most effective intelligence organization in the world. Certainly the KGB puts more resources into the business than we do; it has more people. But we're ahead technically. And I think we have a far greater analytical capability. Part of the business of intelligence is bringing bad news. And I would much rather bring bad news to President Carter than I would to the Kremlin. So I think we have a substantial advantage in our analysis. They are burdened by ideological baggage.

But we really could be doing even better than we're doing today if we can correct some of the fundamental problems that we face. My own sense is that we're moving in that direction. I think public support for the intelligence community has broadened. I sense it on the Hill, where increasingly we're being asked by committees what they can do to help us. And I know that groups such as yours are very important in building that base of support.

So I congratulate you on the relatively recent formation of this chapter. And I encourage you to keep up the good work. I can assure you that it's vitally important for the future of our country.

Thank you.

[Applause.]

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[Questions and answers not transcribed, as per request.]